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2018 ANNUAL MEETING OF SHAREHOLDERS
March 1st, 2018
Saint James's Club, Montréal
Nelson Gentiletti, Chief Financial and Development Officer, Transcontinental Inc.

Check Against Delivery

Thank you, François, and good afternoon everyone.

As François mentioned in his comments, we are heading into 2018 with a clear vision of our growth strategy, a talented and dedicated team and a strong financial position. This is reflected in our first quarter results as we continue to pursue our transformation.

Before I provide you with an overview of our first quarter results released earlier today, let me take a few minutes to discuss the impact of the new agreement with Hearst on our financial statements as it led to some noise in our results.

Last December, we announced that our printing agreement with Hearst would end on April 1st and that we would transfer to Hearst the printing of the *San Francisco Chronicle* currently done in our facility in Fremont, California. We will continue printing the newspaper in Fremont until April 1st, 2018 and provide transitional services until October 31st, 2018. With this new agreement, we will receive a cash payment of US$42.8 million, of which $32.3 million was paid to us in the first quarter with the balance to be paid in the second quarter. The breakdown of the cash payment is as follows:

- US$25 million as compensation for the early termination of the 2013 Amended Agreement.
- US$7.3 million for services to be rendered as part of a Transitional Service Agreement.
- US$10.5 million for the sale of some of our printing equipment.

In addition, we also agreed to lease our facility to Hearst until the end of 2024. We will receive US$21.3 million over the term of this lease.

This agreement leads to a one-time non-cash EBITDA gain as we will accelerate the recognition of about US$80 million of deferred revenues in the first and second quarter of this year. This represents the unamortized deferred revenue from the one-time cash payment of US$200 million we received in 2013 from Hearst as compensation to amend the original contract. In addition, we will record an accelerated depreciation of our assets of about US$15 million.

The cash impact on our EBITDA will not be significant under this new agreement.

In the quarter, the accelerated recognition of deferred revenues related to this agreement represented CAD$40 million and the accelerated depreciation impacted our operating earnings by $6 million.

Finally, our first quarter results were also impacted by the U.S. tax reform which came into effect on January 1st. The decrease in the federal statutory tax rate reduced our previously recognized deferred tax assets by close to $37 million in the quarter.

Overall, our first quarter revenues declined to $502 million from $504 million. If we exclude the accelerated recognition of deferred revenues related to the new agreement with Hearst, adjusted revenues decreased by $42 million. The main contributors to this decrease were as follows:

- First, a shortfall of $29 million related to the sale of local and regional newspapers and other media assets.

- Second, we were impacted by an organic revenue decline of $12 million from reduced printing volume in non-retailer related verticals, from timing differences of purchases by customers at one of our packaging plants and from lower revenues from remaining newspapers in our local and regional newspaper publishing activities in the Media Sector. This was partially offset by increased demand for our retailer-related services, notably as a result of the additional contribution from the expanded agreement with Lowe's Canada.

- Finally, the exchange rate had an unfavorable effect of $5 million during the quarter.

Moreover, additional revenue from our acquisition of Les Industries Flexipak last October and from our acquisition of specialty financial brands from Rogers Media in December 2016, also helped mitigate the revenue decline.

In terms of profitability, operating earnings totaled $124 million for the first quarter of 2018, representing an increase of $62 million or 97.9%. Excluding the favourable impact of the accelerated recognition of deferred revenues and the impact of accelerated depreciation related to the Hearst agreement, restructuring and other costs or gains and impairment of assets, adjusted operating earnings increased by $5 million or 7.8% to $66 million. Moreover, excluding the $7 million decrease in the stock-based compensation expense, due to the 6% share price decline in the first quarter of 2018 compared to the same period last year, and the unfavourable impact from the sale of local and regional newspapers and other media assets in 2017, adjusted operating earnings remained stable. The contribution from acquisitions and the favourable effect of cost reduction initiatives in the printing division and in the local and regional newspaper publishing activities in the Media Sector offset the previously mentioned effect of lower volume.

Net earnings grew 36.3% or by $15 million to $58 million. This increase is mainly attributable to the growth in operating earnings, partially offset by higher income taxes. Adjusted net earnings increased by $8 million or 17.7% to $49 million. Per share, it went from $0.53 to $0.63. This increase is partly due to the $7 million decline in our stock-based compensation expense as a result of the change in the share price in the first quarter of 2018 compared to the same period last year.

In the first quarter, TC Transcontinental continued to generate significant cash flow. Cash flow from operations before changes in non-cash operating items and income taxes paid increased by $41 million to $134 million from $93 million a year ago as we received $32 million from Hearst. In

addition, we also received $30 million from the sale of our local and regional newspapers and from the sale of our stake in CEDROM-SNi. We had a negative variance of $31 million from our working capital due mostly to timing differences for accounts payable and the stock-based compensation to be paid.

In terms of use of cash, we paid $12 million in taxes, invested $11 million for acquisitions and allocated $13 million to capital expenditures. We also allocated $7 million toward share repurchases this quarter. Under our current normal course issuer bid, the Corporation has repurchased close to 280,000 of its Class A Subordinate Voting Shares at a weighted-average price of $24.59.

Finally, in the first quarter, we distributed $16 million in dividends. The Corporation has always been committed to sustaining dividend growth. As such, we announced today a 5.0% increase, which translates to an annual dividend of $0.84 per share. At yesterday's close, this represents a yield of 3.5%. Since 1993, the dividend has grown at a compound annual growth rate of 11%.

Regarding our financial position, in the quarter, we extended the maturity of our $400 million credit facility by an additional year, until 2023.

At the end of the quarter, our net indebtedness ratio stood at 0.1x. Our strong financial position will allow us to continue our transformation and pursue growth in our packaging division.

To conclude, in the context of a significant transformation for TC Transcontinental, we began the year with good results. We continued to execute our strategy with our efforts on continuing to generate significant cash flows and growing our flexible packaging business. We are confident that we will drive a successful transformation as we remain focused on our long-term objectives and as we can count on a seasoned team and a solid financial situation.

We thank you, our shareholders, for your trust and support.

Thank you for your attention, and I turn the floor over to Isabelle Marcoux.